Consolidated Communications

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September 12, 1994

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SEP 1 4 1994

William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Dear Mr. Caton:

RE: CC Docket No. 92-77
Billed Party Preference for 0+ InterLATA Calls

On behalf of the Consolidated Companies, enclosed is an original plus 11 copies of the Reply Comments in the above proceeding. Please distribute one copy to each Commissioner.

Also, please stamp and return the extra copy to confirm receipt. Should you have any questions or require additional information concerning this matter, I can be reached at 217-235-4467. Thank you for your assistance.

Sincerely,

Ellyn Elise Crutcher

Ellyn Elise Crutcher
Counsel for the Consolidated Companies

Enclosures
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of	)	
	)	
Billed Party Preference for InterLATA Calls	)	CC Docket No. 92-77
	)	
	)	

JOINT REPLY COMMENTS OF CONSOLIDATED COMMUNICATIONS OPERATOR SERVICES INC. ILLINOIS CONSOLIDATED TELEPHONE COMPANY CONSOLIDATED NETWORK INC. AND CONSOLIDATED COMMUNICATIONS PUBLIC SERVICES

Consolidated Communications Operator Services Inc. ("CCOS"), Illinois Consolidated Telephone Company ("ICTC"), Consolidated Network Inc. ("CNI") and Consolidated Communications Public Services ("CCPS") hereby submit their reply comments in response to the Commission's Further Notice of Proposed Rulemaking ("NPRM") in the above-captioned proceeding released June 6, 1994.

BILLED PARTY PREFERENCE IS AN ANACHRONISM

Commissioner Quello hit the nail on the head when he observed that billed party preference ("BPP") is "an idea whose time has come -- and gone."[1] The overall thrust of the comments support the notion that while the concept of allowing billed parties to select

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[1] Further Notice of Proposed Rulemaking released June 6, 1994, Separate Statement of Commissioner James H. Quello, at 1.

their preferred carrier may have had appeal in the past, the current factual context and the expected future environment are now markedly different and therefore, call into question the wisdom of pursuing BPP given what we know today.

We know that:

1. The impact of BPP if implemented would only affect a small portion of the total long distance market. To begin with, the percentage of the long distance market that BPP would impact is only 2.25.[2] This means that choice is already being exercised by customers on 97.8% of long distance dollars spent.

2. Ubiquitous implementation of BPP throughout the United States is not likely since intrastate calls cannot be assumed to have BPP apply.[3] Ten different types of calls ranging from non-CIID IXC cards to international calling cards and alternative access providers were cited as outside the scope of BPP.[4]

3. With the expected introduction of PCS technology in the future, NYNEX projects 50% fewer public telephone calls than the

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[2] Comptel's comments at p.7 showing $1.8 billion potentially benefitted traffic divided by the total long distance market of $80.5 billion reflected in the FCC's Market Share Report.

[3] Nynex Comments at 3,5,7; ONCOR Communications, Inc. Comments at 25 and LDDS Comments at 4-5.

[4] ONCOR Communications, Inc., at 24-31.

current level of traffic.[5] By the time the BPP concept could be implemented, the limited traffic it could impact will erode further.

4. Customers understand and use dial around options that include 1-800, 10XXX and 950 calling.[6] Today's data reflects customer use of those dialing options in the 55-66% range, and by 1997, 80% of all operator service calls will use the 1-800 calling option.[7] Customers accept the use of access dialing to reach their carrier of choice and do not view the requirement to dial access codes as a significant imposition.[8] In fact, MCI's experience with its 1-800 collect product shows it to be their fastest growing product reaching a 300% increase in one year.[9] Rates being charged on the traffic BPP would address have already been reduced and were at reasonable levels two years ago.[10] Even if the FCC now determines that further efforts are required to achieve reasonable rates, it can use its powers under TOSCIA to achieve the desired

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[5] NYNEX comments at 7-8.

[6] Id. at 4

[7] Id. at 4-5; Bell Atlantic comments at 8.

[8] Bell South comments at 5 citing Appendix C Customer Survey commissioned by Bellcore in July 1991.

[9] May 30, 1994 issue of "Telecommunications Reports" and June 13, 1994 issue of "Business Week" reflecting a change from 4.5 million collect calls before 1-800 collect to 8 million homes called after 1-800 program was in effect a year.

[10] Final Report of the FCC pursuant to the Telephone Operator Consumer Services Improvement Act of 1990 ("TOSCIA"), November 13, 1992.

effect at significant cost savings[11] over the $2 billion cost of implementing BPP.[12]

5. BPP will misdirect scarce resources available to meet the rapidly evolving technological needs of the telecommunications marketplace from investments that will serve a broader base of competitive need to a very narrow niche of traffic.[13]

Given the factual context in which the FCC now finds BPP and the anachronistic nature of the concept, the wisdom of re-examining the once appealing proposal raised by Judge Greene in the 1980's is now imperative.

REALISTIC APPRAISALS OF COSTS AND BENEFITS DEMONSTRATE BPP RESULTS IN A HUGE NET COST

Numerous commenters have meticulously reviewed the FCC's Cost-Benefit Analysis and concluded it is flawed both in specific components and the overall outcome reached by the FCC, i.e. that there was a $200 million/year net benefit to consumers of implementing BPP. NYNEX and Comptel now project that BPP costs will outweigh its benefits by $337 million and over $200 Million

[11] BellSouth comments at 12. AT&T comments at 9-10. CompTel Comments at 4.

[12] NYNEX Comments at 8.

[13] SNET Comments at 8-9.

respectively.[14]

AT&T's projections of BPP benefits are so low that there is no net benefit even if intraLATA benefits are considered (unlikely if states do not adopt BPP) and the FCC's cost estimate of $420 million to implement BPP is accepted.[15]

NYNEX highlights several significant flaws in the benefits anticipated by the FCC, reducing the $620 million estimate to $235 million because of overstated rate decrease benefits and reduced commission payment assumptions and the failure to consider the impact of PCS.[16] NYNEX projects an industry cost of $572 million/year to implement BPP compared with the $420 million FCC estimate.[17] Inflation, 14-digit screening costs, increased independent LEC costs for BPP in non-equal access offices are costs not included in the $572 NYNEX cost estimate[18] nor are the necessary balloting costs included in the $567 million cost estimate of Comptel.[19]

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[14] NYNEX comments, Attachment E and Comptel Comments at 13.

[15] AT&T Comments at 17 and Attachment C. AT&T's specific reasons for casting the FCC cost estimate for BPP as understated appear at 18-22.

[16] NYNEX comments at 3-8 and Attachment B.

[17] Id. at 8-12, and Attachment C.

[18] Id.

[19] Comptel Comments at 8.

The difficulty of smaller and medium-size LECS, such as ICTC, in projecting the cost to implement BPP is well illustrated in the SNET comments citing BPP costs' sensitivity to data that SNET cannot reliably predict and SNET's inability to quantify key costs for required software, SS7, operator system costs, etc.[20]

A fully revised FCC Cost-Benefit Analysis could be useful in demonstrating that our ability to project costs as an industry has improved and been refined as the impact of BPP has been better understood and market changes in the telecommunications environment have occurred. However, such a revised study does not support going forward with the BPP proposal in light of the expensive undertaking we now understand BPP to be. TOSCIA enforcement, customer education efforts and if necessary, rate caps, are all more cost-effective options for the FCC to endorse and pursue.

INMATE SERVICES WARRANT UNIQUE TREATMENT IF BPP IS ADOPTED

Like CCPS, the vast majority of commentors favor an exemption from BPP for inmate services given the special security needs and financial circumstances of the governmental units. Under the FCC's TOSCIA rules, inmate telephones are exempt from those requirements and such an exemption should likewise be extended to inmate locations if BPP is mandated by the FCC elsewhere. In so doing, the FCC will avoid business fraud, abuse and harassment of the

[20] SNET Comments at 5-6.

public and leave intact the efficiency gains achieved by institutions in avoiding telecommunications fraud and the funding of those institutions derived from commission revenues.

CONCLUSION

For all the above stated reasons, the Consolidated Companies request the Commission to reject Billed Party Preference based upon the significant costs exceeding the minimal benefit in today's telecommunications environment.

Respectfully submitted,

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September 13, 1994

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CERTIFICATE OF SERVICE

I, Ellyn Elise Crutcher, hereby certify that on this 13th day of September 1994, a true copy of the foregoing "Reply Comments" of the Consolidated Companies in the matter of Billed Party Preference for 0+ interLATA calls, CC Docket No. 92-77, was served via UPS Overnight, Fees Paid, or by U.S. First Class Mail, Postage Prepaid, upon each of the parties listed below.

Richard Metzger, Acting Chief Common Carrier Bureau Federal Communications Comm. 1919 M Street, N.W., Rm. 500 Washington, D.C. 20554	Kathleen B. Levitz, Deputy Bureau Chief (Policy) Federal Communications Commission 1919 M Street, N.W., Rm. 500 Washington, D.C. 200554
James Schlichting Chief, Policy & Planning Federal Communications Commission 1919 M Street, N.W., Rm. 544 Washington, D.C. 20554	Gary Phillips Policy & Program Planning Div. Federal Communications Comm. 1919 M Street, N.W., Rm. 544 Washington, D.C. 20554
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